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ED

29 June 1955

Copy No. 99

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 7
NO CHANGE IN CLASS. ☒
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 11/1/80 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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GENERAL**1. Malik terms further discussion of Japanese territorial claims futile:**

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[REDACTED] In the fifth meeting of Soviet and Japanese negotiators in London, Soviet delegate Malik on 24 June expressed "disappointment" that Japan was unwilling to accept the Soviet position that the disposition of Habomai, Shikotan, the Kuril Islands and South Sakhalin had already been settled, according to a senior official of the Japanese embassy in London. Malik said the original Soviet proposals of 14 June were magnanimous in comparison to the provisions of the San Francisco treaty and that any further discussion of Japanese delegate Matsumoto's outline of Japan's historical and geographical claims would be futile.

The Japanese embassy official said that before Japan would agree to normalize relations it would require (1) a recognition of Japanese sovereignty over Habomai and Shikotan, (2) abandonment of the Soviet thesis that the Sea of Japan must be closed to war vessels of all but riparian powers, and (3) repatriation of Japanese prisoners of war.

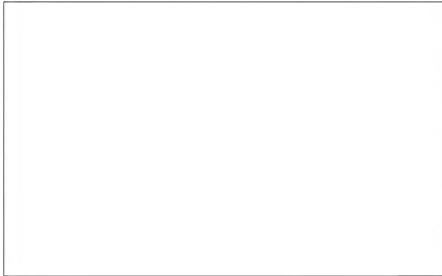
Comment: It is unlikely that the USSR will relinquish the strategically situated Habomai and Shikotan Islands or withdraw its argument for a "closed" Japan Sea at this point in the negotiations. On the issue of the return of the Japanese prisoners of war, however, Moscow has less reason to be inflexible.

The Japanese believe that the forthcoming four-power meeting will favorably affect their negotiations with the USSR and probably are willing to prolong the talks. Japanese press accounts of Moscow's terms are having a salutary effect on Japanese public opinion, which had been misled by Prime Minister Hatoyama to expect a quick, favorable settlement.

SOUTHEAST ASIA

2. Comment on cleavage in South Vietnam Revolutionary Committee:

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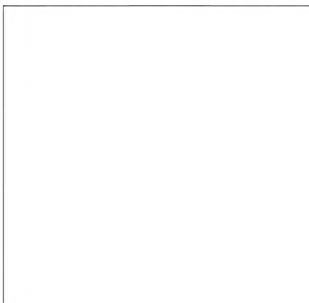


A cleavage has developed between the Cao Dai sect and nonsectarian elements on the Revolutionary Committee, which supports Premier Diem, according to the American embassy in Saigon. Diem can expect considerable trouble from the Cao Dai when his efforts to consolidate his regime pass from a primarily military to a political phase.

The Cao Dai elements look forward to a drastic reorganization of Diem's cabinet in which most of the incumbents would be replaced by "revolutionary" elements. They would apparently like to see the Revolutionary Committee develop into a political party which they could use to prevent Diem's supporters from moving against Cao Dai interests. The non-Cao Dai elements in the committee, on the other hand, favor only slight cabinet changes to bring into the government some pro-Diem committee leaders in order to block extremist elements.

3. Army insubordination may lead to fall of Indonesian cabinet:

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If the Indonesian army continues to stand firm in its opposition to the installation of the new chief of staff, General Utoyo, the result may be the fall of the Ali cabinet, according to the American embassy in Djakarta. The acting chief of staff and top territorial commanders apparently are continuing in their opposition to Utoyo.

Comment: The chairman of the defense committee of parliament has announced that unless the government has solved the army situation by 29 June, he will introduce a motion of no confidence. In order to be passed, such a motion would require the support of government parties.

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the army's show of firmness is likely to draw a concession from the government. It is unlikely that any armed conflict will ensue.

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The switch of enough votes to carry the motion is quite possible in view of the increasing conviction in Indonesia that the Masjumi, Indonesia's chief opposition party, will poll more votes in the September elections than the National Party which now heads the government.

EASTERN EUROPE

4. Italian views on Albanian purge:

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The Italian Foreign Ministry told the American embassy on 27 June that Albanian deputy premier Tuk Jakova and Minister of Education and Culture Bedri Spahiu were dismissed because they were too anti-Tito and opposed a rapprochement between Albania and Yugoslavia. The Italians feel that some Albanian Communist leaders now fear for their own lives and are greatly opposed to a Balkan federation, which they think Moscow will allow Tito to head.

The Italian Foreign Ministry suggested that the United States "raise the question of Albanian neutrality."

Comment: Both these men were instrumental in purging the Albanian Titoist--Koci Xoxe--in 1949, but prior to that, Jakova at least, who served one year as minister to Belgrade, was reported to have been pro-Yugoslav. While they may have been dismissed to facilitate improvement of relations with Yugoslavia, their demotion probably is more closely related to the long-reported rivalry between Premier Shehu and party first secretary Hoxha.

Italy's suggestion that the question of Albanian neutrality be raised at this time probably stems from Italy's long-standing desire to re-establish its influence in Albania.

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